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## Hungary

## Livestock and Products

## Annual

## 2000

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**Report Highlights:** Increased exports of live hogs and pork in the second half of 1999 and in 2000 have balanced Hungary's glutted market. Domestic prices rose rapidly as animal stocks declined and a severe drought drove feed prices up. Hungarian exports will decrease in the next year.

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Includes PSD changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
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## Executive Summary

By the end of 1999, enhanced export sales started to reduce hog and pork surpluses. The Government of Hungary overspent the 1999 export subsidy budget and used the total 2000 allotment by June of this year to maintain a high level of export sales. Decreasing animal numbers and high feed prices have resulted in rising domestic hog and pork prices. Trade sources expect reduced exports for the second half of 2000 and early 2001, in spite of an increased market preference for Hungarian pork in the European Union (EU). Imports of pork will remain flat in the near future.

(Exchange rates used: approximately \$1=278 HUF (forints) in July 2000; \$1=237 HUF on average in 1999.)

## Production

In the second half of 1999, saturated hog and pork markets received some relief from increased exports. Opening swine stocks in January, 2000 (5,335 thousand head), were 3 percent lower than in 1999. Starting numbers for sows (379,000 head) were also 3 percent lower than in 1999.

Bullish export and domestic markets resulted in growing sales and declining stocks figures during the first half of 2000. The April, 2000, census indicated only 5,100 thousand head of swine. Slaughter hog production (carcass weight) in CY1999 was 17 percent higher than in 1998. Increased (live hog) exports in January-June 2000, very high feed prices due to drought, and reduced export subsidies may result in stagnating animal stocks and sinking meat production between July 2000 - July 2001.

Grain prices on the Budapest Commodity Exchange (BCE) show the hysteria caused by the short harvest. May 2000 wheat prices were HUF 27,000/MT, 35 percent above a year earlier. August wheat futures are at an all time post-harvest high of HUF 29,270/MT. Barley prices for August are not much lower - HUF 28,200 /MT. Corn prices for May, 2000 were HUF 27,000/MT, twenty percent above the 1999 figure. November 2000 futures are currently at HUF 24,800/MT.

### Animal Numbers PS&D

PSD Table						
Country	Hungary					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
TOTAL Beginning Stocks	5450	5450	5490	5335	5600	5400
Sow Beginning Stocks	400	400	390	379	0	380
Production (Pig Crop)	7200	7800	7100	7400	0	7600
Intra EC Imports	1	1	1	1	0	1
Other Imports	1	1	1	1	0	1
TOTAL Imports	2	2	2	2	0	2
TOTAL SUPPLY	12652	13252	12592	12737	5600	13002
Intra EC Exports	40	80	40	50	0	40
Other Exports	22	120	15	80	0	40
TOTAL Exports	62	200	55	130	0	80
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	5900	6317	5737	5907	0	6222
Total Slaughter	5900	6317	5737	5907	0	6222
Loss	1200	1400	1200	1300	0	1200
Ending Inventories	5490	5335	5600	5400	0	5500
TOTAL DISTRIBUTION	12652	13252	12592	12737	0	13002
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Swine Meat PS&D**

PSD Table						
Country	Hungary					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Slaughter (Reference)	5900	6347	1200	5907	0	6222
Beginning Stocks	22	22	30	25	27	25
Production	490	500	485	463	0	492
Intra EC Imports	15	12	12	14	0	13
Other Imports	2	2	2	2	0	2
TOTAL Imports	17	14	14	16	0	15
TOTAL SUPPLY	529	536	529	504	27	532
Intra EC Exports	40	50	50	70	0	50
Other Exports	30	46	25	45	0	30
TOTAL Exports	70	96	75	115	0	80
Human Dom. Consumption	399	385	397	334	0	387
Other Use, Losses	30	30	30	30	0	30
TOTAL Dom. Consumption	429	415	427	364	0	417
Ending Stocks	30	25	27	25	0	35
TOTAL DISTRIBUTION	529	536	529	504	0	532
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Production Policy**

Hog farmers and slaughterers receive several kinds of production and marketing support from the federal government. These range from direct payments for quality bonuses, intervention purchase payments, interest write-offs for investments, and interest reimbursements for operating loans.

The Government of Hungary increased the export subsidies for live hogs and pork in the second half of 1999 and launched intervention purchase programs as well. The intervention fund of the Meat Product

Council has also supported exports. Hungary's HUF 6.4 bn export subsidy budget for hogs and pork for 1999 (within WTO limits) was used by October, 1999. The level of export support remained unchanged for 2000 although the entire annual budget was used by July, 2000.

Farm and meat processor associations are seeking additional support for the meat business. By their calculations, HUF 4.4 bn subsidy is needed to keep hog and pork exports afloat. The EU-Hungary trade liberalization package is going to mutually reduce the tariffs and export subsidies to zero for pork starting July 1, 2000. This measure is a good excuse for the Government of Hungary to cut the export subsidies. At the same time, WTO compatible production supports (such as quality premiums for the best grades, veterinary and inspection cost reimbursement etc.) are planned to help maintain the profitability of the pork sector.

### Consumption

Consumption of meat and meat products and pork reached a trough in 1998 but started an upward turn in 1999. Pork consumption from household production or from unregistered local sources is on the increase due to high commercial prices. The Government of Hungary continues to try to keep substandard abattoirs under control. At the same time, many of the big commercial processors operate at partial capacity or have been shut down. While "illegal" butchers flourish at local markets, small and medium size meat processors can not compete for business from concentrated food retailers, hypermarkets and grocery chains. These outlets set very high quality and packaging standards and demand low producer prices.

Per capita consumption of major food items:

	1996	1997	1998
Meat & products, kg	60.1	60.0	61.8
of which Beef	6.3	5.2	5.0
Pork	26.0	26.8	24.0
Poultry	24.8	24.4	25.0
Fish, kg	2.7	2.5	2.8
Milk & Dairy, kg	127.5	135.0	148.2
Eggs, kg	16.0	15.0	15.0
Fats & Oils, kg	36.8	36.0	36.7
of which Lard	18.6	18.0	17.4
Butter	1.5	1.5	1.1

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Veg.oil, Margarine	15.7	15.5	16.6
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Source: Central Statistical Office, Hungarian Statistical Yearbook, 1997-1999

## **Prices**

Producer prices for slaughter hogs were relatively stable from the September, 1999 through April, 2000, and stayed in the HUF 250 - 260/kg (live weight) range. In April, 2000 hog prices started to rise as the combined effect of decreasing supply, and increasing feed and energy costs took hold. Despite input costs, current (July) HUF 290-300/kg prices still contain a small profit margin for hog producers.

Retail pork prices did not increase until April, 2000 mainly because of keen competition in the food retail trade sector. Payment terms also play a role. Food retail companies pay for meat 50-60 days after delivery on average, while the sales cycle of the products in the shop is only 10 days. On average, meat processors realized a mere 1.8 percent profit in 1999. Retail prices have increased in June-July, 2000 but they still are under the 1998 peak pork price level.

Supermarket retail prices of boneless ham dropped from HUF 829/kg to HUF 539/kg between February 1998 and 1999. By January, 2000 prices increased to HUF 606/kg and by June to HUF 667/kg. Prices of bone-in center chops were HUF 839/kg in 1998, HUF 579/kg in 1999, HUF 689/kg in January 2000 and HUF 648/kg in June 2000.

## **Trade**

CY1999 exports of hogs and pork exceeded 1998. Because of the export boost in the second half of the year, annual live hog sales increased 100 percent and pork exports nearly 30 percent.

Main destinations were the neighboring countries and the EU.

The volume of export sales between January-May, 2000 was 70 percent above the same period in 1999 (although 1999 exports were rather low). Sales receipts, at the same time, increased only by 25 percent.

Romania continues its protective, 45 percent tariff on Hungarian pork in 2000, despite a CEFTA agreement that should only charge 25 percent. Nevertheless, Hungary was granted access to the Romanian market for live pork and received a 800,000 MT duty free quota for live hogs for 2000. Since January, 2000 Slovenia has also imposed a HUF 70/kg charge on live hog imports.

Trade may also grow through a new EU-Hungary trade liberalization agreement, which went into effect on July 1, 2000. Tariffs and export subsidies on pork will be eliminated for 50,000 MT of Hungarian exports to the EU and on 24,000 MT of EU exports to Hungary. (Note: An official detailed press release on the agreement is expected in August.) The import quotas, which have no in-quota duty, will be on the top of the existing preferential tariffs for EU products imported to Hungary (see Tariff Changes).

Due to declining animal numbers, reduced export subsidies, and increasing production costs (feed prices) exports of live hogs and pork will slow down in the second half of the year. Due to modest

domestic demand, imports of hogs and pork will remain flat in 2000-2001.

The trade matrix for pork for 1999 is not yet available. (Note: this will be updated as soon as the data are available).

Export Trade Matrix				
Country	Hungary		Units:	1,000 MT
Commodity	Meat, Swine		Partial Begin	
			Partial End	
Exports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	0			
Others				
Spain	18			
Romania	13			
Russia	11			
Italy	7			
Total for Others	49	0	0	0
Others not Listed	26			
Grand Total	75	0	0	0

Import Trade Matrix				
Country	Hungary		Units:	1,000 MT
Commodity	Meat, Swine		Partial Begin	
			Partial End	
Imports for:	1998	1999	1999	2000
	Full	Full	Partial	Partial
U.S.	0			
Others				
Canada	9			
Germany	6			
U.K.	4			
The Netherlands	4			
Total for Others	23	0	0	0
Others not Listed	11			
Grand Total	34	0	0	0



## Export Subsidies

In 1999, the Government of Hungary paid export subsidies for live hogs and pork until July 1, 2000, as follows:

HS Tariff #	Commodity	Subsidy HUF/kg
0103 91,92	Live Hogs	50-75
0203	Pork, fresh, chilled, frozen	40-90
0210	Pork, salted, smoked	20
1601	Sausages, salami	70-80
1602	Ham and other pork products	95-105

In addition, export sales have been supported at times by the Meat Product Council (an association of processors) who have paid up to HUF 100/kg from fees collected on export. These payments are not regularly occurring. The government also pays a quality bonus of HUF 1-10/kg (based on carcass quality) which is shared by both the producer and the slaughterhouse. The use of export subsidies for pork were discontinued by the government on July 1, 2000. (Also see **Production Policy**.)

## Tariff Changes

On January 1, 2000, Hungary published its revised tariff schedule. As with last year, the first column (I.) shows GSP tariffs on imports from developing countries, the second column (II.) contains the MFN tariffs, and the third column (III.) contains the preferential tariffs based on free trade agreements with the EU, EFTA, Turkey, Israel, Bulgaria, Czech Republic, Estonia, Latvia, Poland, Romania, Slovakia, and Slovenia (the latter eight countries will be referred to later as "CEFTA"). If a tariff is not set for the 3rd sub-column, the MFN tariff is used.

Under separate decrees, the Government of Hungary announced further preferential tariffs under quota (TRQ) for imports from:

The EU and CEFTA (Order #64/1999 Dec. 7.)

All countries (unilaterally given quotas)(Order #69/1999 Dec. 15.)

All countries (GATT quotas) (Order #63/1999 Dec.7.)

	Breeding Cattle	Other Cattle	Breeding Swine	Other Swine	Sheep/ Goats
HS codes (4)	0102 10	0102 90	0103 10	0103 91	0104
MFN Tariffs (%)	23.5	40	29.5	50.2	32
CEFTA Cz	0	15	0	10-15	0
CEFTA SI	0	15	0	10-15	0
CEFTA Po	0	15	0	10-15	0
EU quota	570 MT 0% (1)	1740 MT 15% (2)	570 MT 0% (1)	1230 MT 10.5%	570 MT 0% (1)
GATT quota	13,595 MT 15 % (3)	13,595 MT 15% (3)	19,909 MT 15% (3)	19,909 MT 15% (3)	92 MT 9% (3)
Unilateral quota	6330 head 0%	-	400 head 0%	-	-

Notes:

(1) Joint 570 MT EU quota open for all

(2) Joint quota for live animals and meat

(3) GATT quotas are for the combined preferential imports of live animals and meat

	Beef	Pork	Edible Offal	Bovine Semen	Bovine Embryo
HS codes (4)	0201, 0202	0203	0206	0511 10	0511 99 50 00
MFN Tariffs (%)	71.7	51.9	42.9	18	10
CEFTA CZ	25	25	0	0	0
CEFTA SI	25	25	0	0	0
CEFTA Po	25	25	0	0	0
EU quota(8)	1740 MT 15% (2) 0202 20 (5): 6210 MT 10.5%	6600 MT 15% (6) 0203 19 & 29 (7): 1820 MT 10.5%	2050 MT 14.5%	5000 doses 0%	-
GATT quota	13,595 MT 25% (3)	19,909 MT 25% (3)	1122 MT 15	-	-
Unilateral quota	-	-	-	36,000 doses, 0%	550 pieces 0%

(4) Last four digits (7-10th digits) may differ from the US coding

(5) 0202 20: Frozen beef with bones

(6) except for 0203 2911 (Pork; other; from domestic swine; front parts), 2913 (Pork; other; from domestic swine; pork chops, spare rib and parts thereof with bones) and 2990 (Pork; other; other)

(7) 0203 19 and 29: Other pork parts, fresh, chilled or frozen (does not include entire or half carcass; leg and shoulder parts with bones)

(8) After July 1, 2000, many products have a 0% bilateral tariff due to the EU-Hungary trade liberalization project. Details on affected products will follow as published. (See also at Trade).